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SOVIET-IRANIAN SETTLEMENTS

- I. Final Soviet okay of long-negotiated financial and border agreement with Iran settles a number of disputes, some of which have been outstanding over a century.
 - A. Presidium of Supreme Soviet approved agreements on 25 April (Iranian parliament had approved in February). Formal exchange of ratifications expected shortly.
 - B. Border deal will demarcate 11 areas, one of them (in Azerbaijan) under dispute since 1829. Financial deal provides for delivery of \$21,000,000 USSR has owed Iran since World War II.
 - C. Most territorial rectifications are tiny, but USSR is net loser by few dozen square kilometers.
- II. USSR's apparent magnanimity probably results from desire to show that disputes can be settled by negotiations and from wish to encourage neutralism in states along Soviet southern border.
 - A. Soviet agreement provides ammunition for "peaceful coexistence" campaign by demonstrating that a settlement is possible on terms not exclusively favorable to USSR.
- III. Iran, pro-West but formally uncommitted, is only major gap in "northern tier" defense line (from Turkey to Pakistan).
 - A. Iranian press has been predicting and urging Iran's participation in this Western-sponsored regional defense scheme.

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D. We expect that Soviet settlement will not affect Iranian Government's pro-Western attitude, but that Iran will probably be reluctant to adhere formally to "northern tier" during time it takes to carry out Soviet-Iranian agreement.

E. Thus, in effect, USSR has "bought" 18 months of Iranian "neutrality" at modest cost.

IV. Agreement will reduce, but not eliminate, Soviet-Iranian frictions.



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